

STATE OF MONTANA ADVISORY COUNCIL FOR VOCATIONAL EDUCATION REPORT ON EXAMINATION OF FINANCIAL STATEMENTS Fiscal Year Ended June 30, 1976



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MONTANA
STATE CAPITOL • HELENA





STATE OF MONTANA

ADVISORY COUNCIL FOR VOCATIONAL EDUCATION

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 1976



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APPOINTIVE AND ADMINISTRATIVE OFFICIALS

ADVISORY COUNCIL FOR VOCATIONAL EDUCATION

Joe A. Renders, Chairman Jack Gunderson, Vice Chairman Don Archibald Robert E. Lee Charles R. Draper Dr. Richard Mattson William Korizek Rev. James R. Taylor Shirley Ferguson Marolane Stevenson Susan Hilleboe John P. Travis Joseph H. Lutz Betty Thometz Bruce DeRosier Jeanine Windy Boy Karen C. Fenton Linda Skaar Bob R. Donaldson Margaret S. Warden

Great Falls Power Helena Butte Helena Kalispell Helena Billings Nashua Missoula Helena Billings Havre Butte Helena Crow Agency Dixon Bozeman Helena Great Falls Great Falls Hardin

Administrative Official

William A. Ball

Cheryl Sylvester

Jane Baker

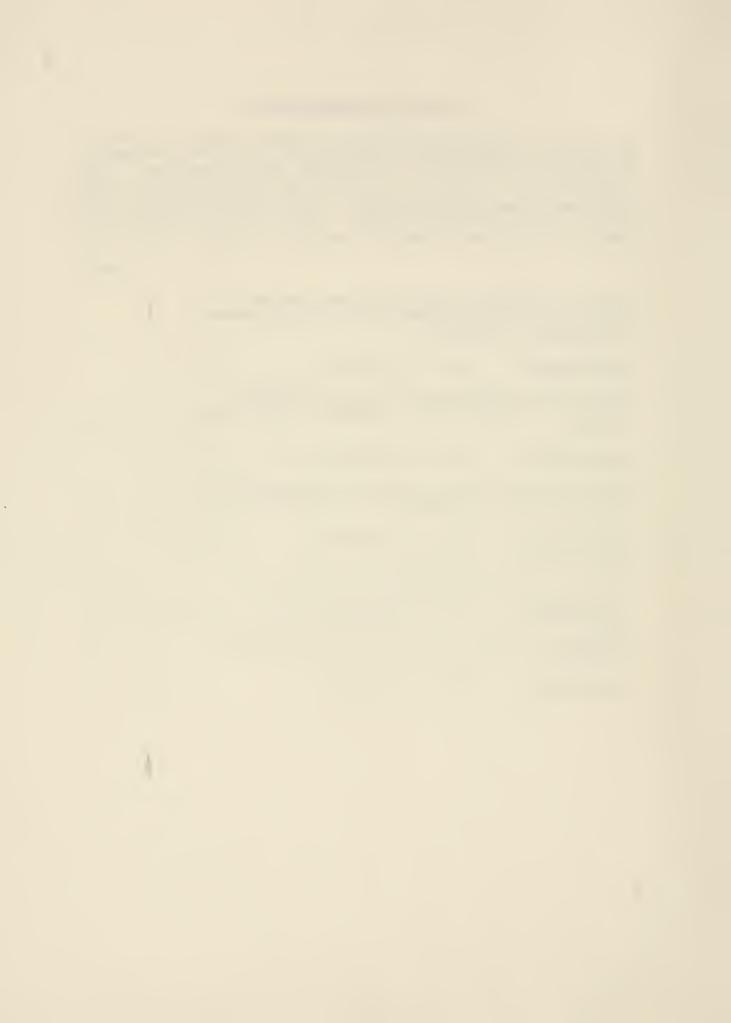
Executive Director

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SUMMARY OF RECOMMENDATIONS

As a separate section in the front of each audit report we include a listing of all recommendations together with a notation as to whether the agency concurs or does not concur with each recommendation. This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply thereto and also as a ready reference to the supporting comments. The full reply of the Advisory Council for Vocational Education is included in the back of this report.

| | Page |
|--|------|
| Comply with Section 41-2303 R.C.M. 1947, and discontinue allowing non-exempt employees to accumulate compensatory time balances. | 3 |
| Agency Reply: Concur. See page 12. | |
| Comply with Management Memo 1-75-17A by recording compensatory time for exempt employees in full hour units. | 3 |
| Agency Reply: Concur. See page 12. | |
| Develop time records which report all employee leave activity on a current basis. | 3 |
| Agency Reply: Concur. See page 12. | |
| Retain all accounting records. | 3 |
| Agency Reply: Concur. See page 12. | |
| Disclose all financial activity in the accounting records. | 3 |
| Agency Reply: Concur. See page 12. | |



STATE OF MONTANA

Office of the Legislative Auditor



STATE CAPITOL HELENA, MONTANA 59601 406/449-3122

DEPUTY LEGISLATIVE AUDITORS: JOSEPH J. CALNAN ADMINISTRATION AND PROGRAM AUDITS

ELLEN FEAVER
FINANCIAL-COMPLIANCE AND
CONTRACTED AUDITS

STAFF LEGAL COUNSEL JOHN W. NORTHEY

To the Legislative Audit Committee of the Montana State Legislature:

We have examined the balance sheet of the Montana Advisory Council for Vocational Education as of June 30, 1976 and the related statements of operation listed in the table of contents of this report for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Advisory Council for Vocational Education as of June 30, 1976, and the results of its operations and changes in fund balances for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Respectfully submitted,

Mours 2. Brusett

Morris L. Brusett, C.P.A. Legislative Auditor

June 21, 1977



COMMENTS

GENERAL

The Montana Advisory Council for Vocational Education is a federally mandated agency whose purpose is to advise the Board of Education on matters concerning vocational education. Federal law, 20 U.S.C.A., Section 1244, requires each state to establish a State Advisory Council in order to receive federal vocational education grants.

The Montana Advisory Council consists of 19 members appointed by the Governor. The membership includes individuals from various occupations and geographical locations in the state.

The council evaluates vocational education programs, services, and activities funded with federal grants and publishes the results of their evaluations. The council also advises the state Board of Education on the development and preparation of long-range and annual vocational education plans.

Each year the council must submit a report which evaluates the effectiveness of vocational education programs on a long term and current basis. The council submits the report through the state Board of Education to the United States Commissioner of Education and the National Advisory Council.

EMPLOYEE LEAVE

Section 41-2303, R.C.M. 1947, describes certain compensation requirements for state employees. This section in part states, "No employer shall employ any of his employees for a work week longer than forty (40) hours unless such employee receives compensation for his employment in excess of forty (40) hours in a work week at a rate of not less than one and one-half (1½) times the hourly wage rate at which he is employed."



Section 41-2304, R.C.M. 1947, lists exceptions to the previously stated law. Any type of employee not listed as an exception is subject to the overtime pay law.

The council has not been in compliance with this law. They have allowed a non-exempt state employee to accumulate a compensatory time balance. The council's non-exempt employee should have received pay at time and one-half for any hours over 40 per work week. The non-exempt employee was compensated with straight time off instead of being paid at one and one-half times her rate of pay. The non-exempt employee is entitled to one-half time pay for hours taken off and one and one-half time pay for overtime balances currently recorded.

Our review of time records indicated other weaknesses. Management Memo 1-75-17A states, "Some method of reporting and recording compensatory time must be maintained." The time records maintained at the council do not adequately report compensatory time balances of its employees. The records should disclose when compensatory time is earned, when it is taken, and the balance. The management memo also specifies compensatory time may only be earned or taken in full hour units. The council allows its employees to earn and take compensatory time in fractions of an hour.

We noted an occurrence of sick leave being taken without the leave being recorded on the employee's leave record. Council employees explained that sick leave is not always recorded on the leave record until a full eight hours have been taken. All employee leave should be recorded in the pay period it is taken regardless of the number of hours.



RECOMMENDATION

We recommend that the Advisory Council:

- 1. Comply with Section 41-2303, R.C.M. 1947, and discontinue allowing non-exempt employees to accumulate compensatory time balances.
- 2. Comply with Management Memo 1-75-17A by recording compensatory time for exempt employees in full hour units.
- 3. Develop time records which report all employee leave activity on a current basis.

PUBLIC MEETINGS

In January 1976 the Advisory Council held a public meeting in Billings at the Ramada Inn. A \$6 registration fee was charged to cover expenses related to the meeting such as the room rental. Council employees stated all fees collected were paid to the Ramada Inn.

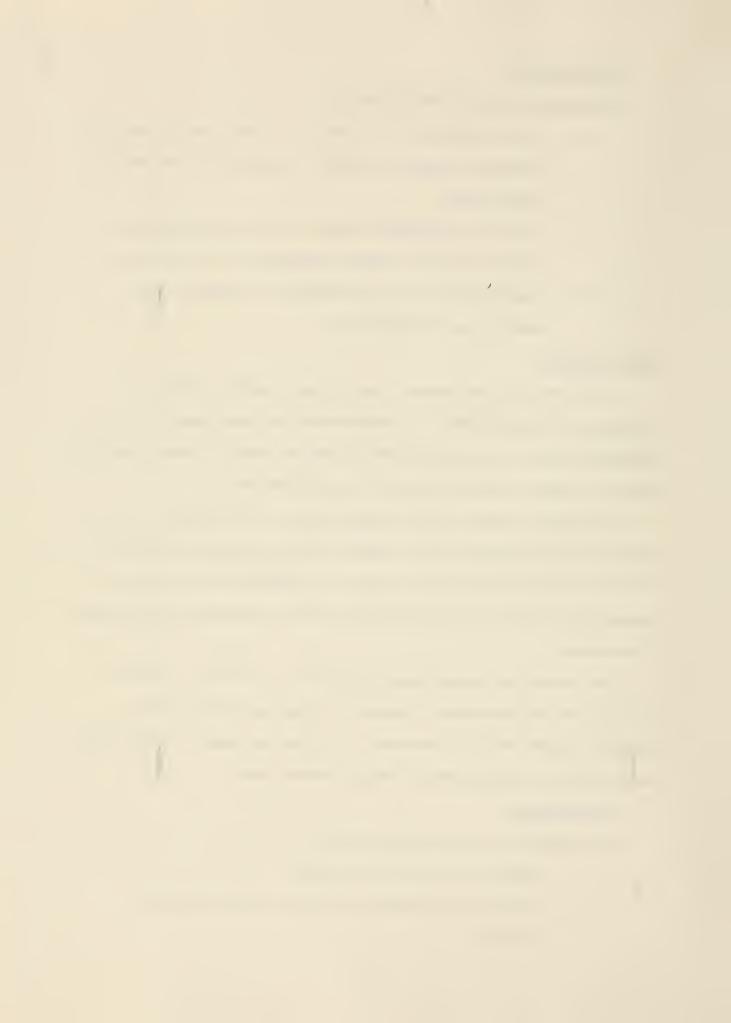
The Advisory Council did not retain copies of the receipts given to persons attending the meeting. Because of this we cannot determine if all fees collected were paid to the Inn. In addition, the council's accounting records do not disclose the receipt and subsequent disbursement of the money.

The council has discontinued the practice of charging a registration fee for public meetings. However, if fees are charged in the future, receipts should be recorded on a collection report, and disbursements should be recorded on a transfer warrant claim.

RECOMMENDATION

We recommend that the Advisory Council:

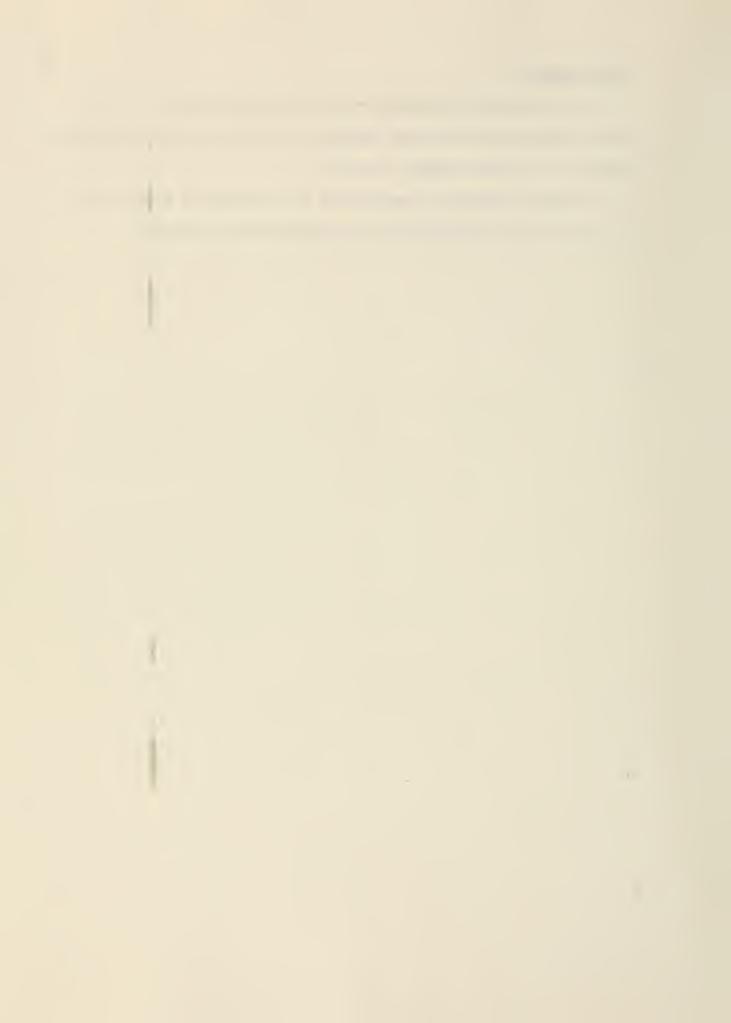
- 1. Retain all accounting records.
- 2. Disclose all financial activity in the accounting records.



FINAL COMMENTS

We have reviewed this report with the executive director of the Advisory Council for Vocational Education. The full text of his written response to the report begins on page 12.

We wish to express our appreciation to the executive director and his staff for their cooperation and assistance during the audit.





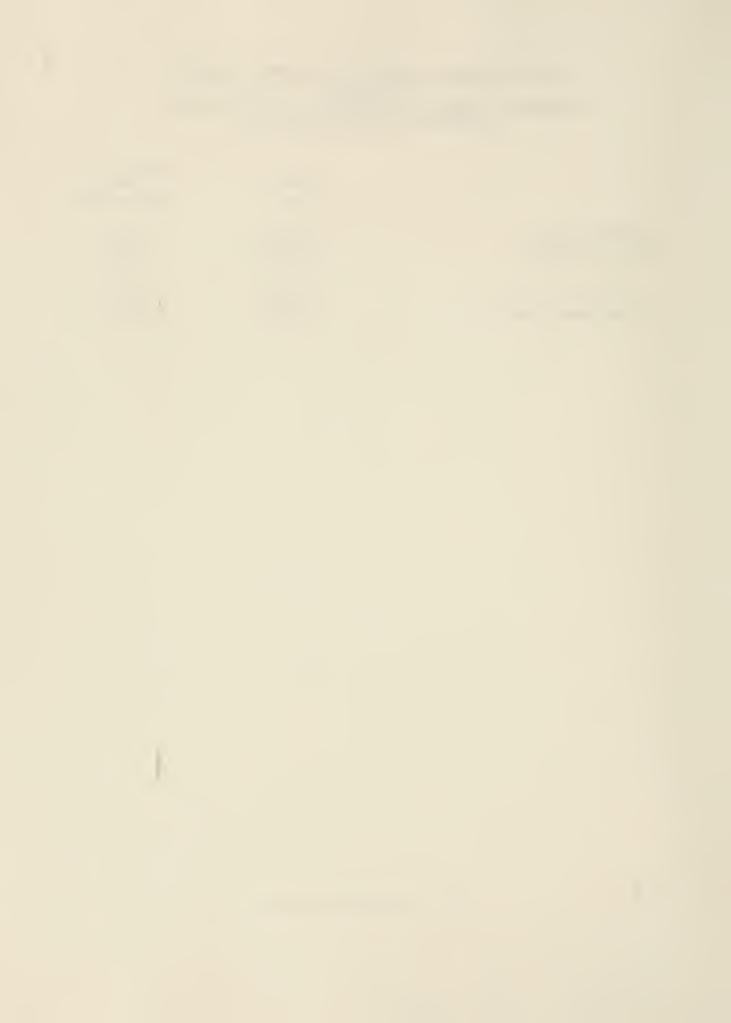


MONTANA ADVISORY COUNCIL FOR VOCATIONAL EDUCATION BALANCE SHEET ALL FUNDS June 30, 1976

| | | Federal and |
|------------------------------------|--------------------------------|-----------------|
| | General | Private Revenue |
| | Fund | Fund |
| ASSETS | | |
| Cash in Treasury | \$-0- | \$3,850 |
| Total Assets | \$ <u>-0-</u> \$ <u>-0-</u> | \$3,850 |
| | | |
| LIABILITIES AND FUND BALANCE | | |
| Accrued Support Expenditures | \$-0- | \$2,465 |
| Fund Balance | <u>-0-</u> | 1,385 |
| Total Liabilities and Fund Balance | \$ | \$ <u>3,850</u> |

MONTANA ADVISORY COUNCIL FOR VOCATIONAL EDUCATION ALL FUNDS STATEMENT OF EXPENDITURES COMPARED WITH APPROPRIATIONS Fiscal Year Ended June 30, 1976

| | General Fund | Federal and Private Revenue Fund |
|--|--|----------------------------------|
| Appropriations Budget Amendments Total Available | \$29,626 (<u>11,182</u>) <u>18,444</u> | \$38,818 11,182 50,000 |
| Expenditures Unexpended Balance | \$\frac{14,996}{3,448} | <u>50,000</u> \$ |



MONTANA ADVISORY COUNCIL FOR VOCATIONAL EDUCATION ALL FUNDS

STATEMENT OF EXPENDITURES BY OBJECT Fiscal Year Ended June 30, 1976

ADMINISTRATIVE PROGRAM

| Personal Services Salaries Other Compensation Employee Benefits Total Personal Services | \$30,587 1,250 3,685 35,522 |
|---|--|
| Operating Expenses Contracted Services Supplies and Materials Communications Travel Rent Repair and Maintenance Other Expenses Total Operating Expenses | 3,537 1,179 2,533 20,557 67 50 1,171 29,094 |
| Equipment | 380 |
| Total Expenditures | \$ <u>64,996</u> |



MONTANA ADVISORY COUNCIL FOR VOCATIONAL EDUCATION ALL FUNDS STATEMENT OF CHANGES IN FUND BALANCES Fiscal Year Ended June 30, 1976

| | General Fund | Federal and Private Revenue Fund |
|-----------------------------------|-----------------|--|
| Balance July 1, 1975 | \$ -0- | \$ 7,124 |
| Additions: | | |
| Appropriations | 18,444 | |
| Revenue | | 50,000 |
| Total Balance and Additions | 18,444 | 57,124 |
| Deductions: | | |
| Expenditures | 14,996 | 50,000 |
| Reverted Appropriation | 3,448 | |
| Prior Year Expenditure Adjustment | | _5,739 |
| Balance June 30, 1976 | \$0- | \$_1,385 |



MONTANA ADVISORY COUNCIL FOR VOCATIONAL EDUCATION STATEMENT OF CHANGES IN GENERAL FIXED ASSETS Fiscal Year Ended June 30, 1976

Beginning Balance, July 1, 1975 \$1,926

Additions:

Equipment 380

Ending Balance, June 30, 1976 \$2,306



ADVISORY COUNCIL FOR VOCATIONAL EDUCATION

Notes to Financial Statements Fiscal Year Ended June 30, 1976

1. Summary of Significant Accounting Policies

The preceding financial statements were prepared from the Statewide Budgeting and Accounting System (SBAS), with the exception of the financial statement for general fixed assets. SBAS does not include a system of recording general fixed assets. The financial statement for general fixed assets was prepared from agency records.

The state of Montana utilizes the modified accrual basis of accounting. Modified accrual is defined as "that method of accounting in which expenditures are recorded on the basis of valid obligations and revenues are recorded when received as cash. At the end of a fiscal year, all valid obligations against an appropriation are to be accrued as expenditures as provided by law." (Montana Administrative Manual 2-0240.40.)

The financial statements disclose \$2,465 of accrued support expenditures on June 30, 1976. Of this amount \$1,350 is for services which were not received at June 30, 1976. As a general rule, services must have been rendered during the fiscal year in which the anticipated expenditure is to be accrued. However, encumbrance accounting as described in the Montana Administrative Manual, 2-1420.32, allows that "if the appropriation provided funds to complete a given project, the entire amount of the service contract may be accrued even though the services are rendered in fiscal years subsequent to the fiscal year in which the expenditure is accrued."

2. Retirement Plan

The council's employees participate in two retirement plans, the Public Employees' Retirement System and the Teachers' Retirement System.



Both plans are contributory. Retirement plan expense for fiscal year 1975-76 was \$1,822.

3. Vacation and Sick Pay

Liabilities incurred because of employees' unused vacation and sick pay are not recorded. The related expenditures are recorded when paid. Permanent employees are allowed to accumulate and carry over a maximum of two years' vacation into a new calendar year. Upon termination, qualifying permanent employees having unused accumulated vacation and sick leave receive payment for vacation on a 100 percent basis and sick leave on a 25 percent basis. The amount of the liability associated with unused, accumulated vacation and sick leave at June 30, 1976 is maintained on an hourly basis rather than by dollar amount. The monetary liability is not calculated until an employee terminates.

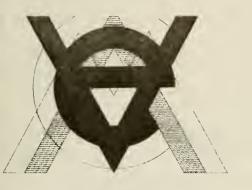
4. Office Space

The Department of Military Affairs provides office space in Helena to the Advisory Council for Vocational Education at no charge.









MONTAN A ADVISORY COUNCIL FOR VOCATIONAL EDUCATION

WILLIAN A BALL Executive Director

August 10, 1977

Mr. Morris L. Brusett Legislative Auditor State Capitol Helena, MT 59601

BHC 1 2 1977

MONTANA LEGISLATIVE AUDITOR

Dear Mr. Brusett:

I have received the copy of your draft audit report for the Advisory Council for Vocational Education and have had the opportunity to review it with your staff.

We acknowledge the following recommendations made by the report.

Employee Leave

That the Advisory Council:

1. Comply with Section 41-2303, R.C.M. 1947, and discontinue allowing non-exempt employees to accumulate compensatory time balances.

> We concur with this recommendation and measures have been taken by this office which have eliminated the practice.

2. Comply with Management Memo 1-75-17A by recording compensatory time for exempt employees in full hour units.

We concur and measures will be taken to comply with MM 1-75-17A.

3. Develop time records which report all employee leave activity on a current basis.

> We concur with this recommendation. A system which fulfills this recommendation was activated in April of 1977.

Public Meetings

That the Advisory Council:

1. Retain all accounting records.

We concur and steps have been taken to retain all records until duely audited.

2. Disclose all financial activity in the accounting records.

We concur with the recommendation. Although we have discontinued



Mr. Morris L. Brusett Page 2 August 10, 1977

the registration fee all financial activity will be properly recorded and accounted for.

We appreciated the courtesy and professional efficiency of Ellen Feaver and Steve Sikes in the conduct of the audit.

Sincerely,

WILLIAM A. BALL

EXECUTIVE DIRECTOR

William G. Ball

WAB/mw





